

KPS GROUP  
HALF-YEAR-REPORT

22/23



KPS

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KPS GROUP  
TO THE SHAREHOLDERS

22/23



KPS

**Ladies and Gentlemen, dear Shareholders,**

Our expectations for the first half of the financial year 2022/2023 have not been met and we are not satisfied with the most recent developments.

After the data available at that time in January still gave reason to expect a continuation of the growth course, the demand situation in a few key markets has deteriorated, therefore we saw ourselves forced to adjust our forecast of 26 January 2023 on 26 April 2023 and to revise our expectation for the ongoing financial year.

We issued our original forecast in anticipation of higher demand and have already built up corresponding personnel capacities in the KPS Group in order to cover the expected business volume in the past. However, the current business climate in retail, the core segment for KPS, led to a general reluctance to take on new projects – especially in the digital sector. This led to an unexpected decline in sales in individual high-priced markets and business areas. As a result, we were unable to utilise our consultant base to capacity and thus experienced the corresponding negative effects on how our EBITDA developed.

As the Executive Board member of KPS AG, I am not satisfied with this development and the related negative share price performance.

We have already initiated measures to adjust the headcount in the affected business units to the changed market environment. Besides adjusting the headcount, we will implement further measures in the coming months to put the KPS Group back on track for success and growth.

Unterföhring, May 2023

The Executive Board

**Leonardo Musso**

## KPS ON THE CAPITAL MARKET IN THE FIRST HALF OF BUSINESS YEAR 2022/2023

### Share price development in the reporting period (1 October 2022 to 31 March 2023)

The KPS AG share recorded an overall increase of 17.3% in the first half of financial year 2022/2023. On 27 December 2022, the share reached its absolute low for the period under review at EUR 2.86. The share reached its high for the observation period of EUR 4.44 on 8 February 2023. The closing price on 31 March 2023 was EUR 3.52.

The average daily trading volume of the KPS share on all German trading venues was around 12,346 shares in the reporting period (previous year: 11,496 shares). The market capitalisation of KPS AG on 31 March 2023 was EUR 131.7 million based on 37,412,100 shares in circulation.

#### Key data for the share

Sector	Software (IT-Dienstleister)
ISIN	DE000A1A6V48
Securities Identification Number (WKN)	A1A6V4
Ticker symbol	KSC
First listing	14. July 1999
Number and rype of shares	37.412.100 registered no-par value ordinary shares (no-par shares)
Capital stock	37,412,100,00 Euro
Stock exchanges	Frankfurt, Stuttgart, Hamburg, Berlin-Bremen, Düsseldorf and Munich, and XETRA
Market segment	Regulated market
Transparency level	Prime Standard
Designated Sponsor	Hauck & Aufhäuser Privatbankiers

#### Overview of the share

Opening price (1 October 2022)	3.00 Euro
High (08 February 2023)	4.44 Euro
low (27 December 2022)	2.86 Euro
Closing price (31 March 2023)	3.52 Euro
Trading volume (01 October 2022 bis 31 March 2023, average trading volume)	12.346
Market capitalization (31 March 2023)	131,7 million Euro

### Shareholder structure

Information based on voting rights notifications received in accordance with the German Securities Trading Act (WpHG) (as of 28 January 2018) and company information; free float as defined by Deutsche Börse with shares of less than 5% of the share capital.

As of 31 March 2023, the shareholder structure of KPS AG is as follows: Michael Tsifidaris, Chairman of the Supervisory Board, holds 24.27 % of the company's shares. Leonardo Musso, member of the Executive Board of KPS AG, holds 10.97 % of the shares in the company. Supervisory Board member Uwe Grünewald holds 10.83 % of the share capital entitled to voting rights. This means that 46.07 % of the voting shares are held by the current management of KPS AG. They will remain closely associated with KPS AG in the future as anchor shareholders and members of the governance bodies.

Former Executive Board member Dietmar Müller currently still holds 9.97 % of the voting rights. Allianz I.A.R.D. S.A., which currently holds 6.32 %, is another investor with shares exceeding 5.0 %. The free float amounts to 37.64 %. KPS AG is in constant contact with current and potential investors and strives to expand its shareholder base in a targeted manner.

### Financial calendar

08.05.2023	Publication of the figures for the half-year 2022/2023
10.05.2023	Ordinary Annual General Meeting in Munich
27.07.2023	Publication of the figures for the third quarter 2022/2023

### Analysts' research

The performance of the KPS share is constantly analysed and evaluated by M.M.Warburg.

In its research published on 30 March 2023, Warburg issued a price target of 7.70 EUR (rating: buy) in its commentary on KPS. In its latest publication (27 April 2023) reduced M.M. Warburg the price target to 4.00 EUR (rating: buy).

## Investor Relations

In the reporting year 2021/2022 and in the first half of business year 2022/2023, KPS AG fulfilled the highest legal and stock exchange disclosure and transparency standards of the Regulated Market as part of its listing in the Prime Standard on the Frankfurt Stock Exchange. The company informed institutional investors, financial analysts and private shareholders without delay about the current development of the business and events of significance to the development of the company's share price.

In addition to publishing financial reports and company announcements in German and English, KPS's capital market communications also included conference calls for analysts to announce the quarterly, half-yearly and annual figures. In addition, the management of KPS has been and continues to be in regular personal dialogue with market participants and strives to carry out further IR activities beyond its legal obligations.

Engaging in direct exchanges with investors continues to be close to the management's heart, which is why, in addition to the conference calls on financial publications, direct discussions with investors and analysts are also held on a regular basis, either virtually or by telephone.

Hauck und Aufhäuser Privatbankiers AG acts as designated sponsor in the provision of binding bid and ask prices to ensure adequate liquidity and corresponding tradability of the KPS share.

Further information is available to interested investors in the Investor Relations section of the homepage at <https://kps.com/global/en/company/investor-relations/financial-publications.html>.

**KPS GROUP**  
INTERIM MANAGEMENT REPORT

22/23



**KPS**

# 1. ECONOMIC REPORT

## 1.1 Macroeconomic development<sup>1</sup>

### Development of the global economy

Following the significant negative impact of the Russian war in Ukraine on economic recovery from the COVID-19 pandemic in the first half of 2022, many economies showed a more stable performance in the second half of 2022 than initially expected<sup>2</sup>.

Nevertheless, in its current forecast from April 2023, the International Monetary Fund (IMF) assumes that the global economy will grow at a lower rate in the next two years than in 2022. Thus, after growth of 3.4% in 2022, the IMF expects an increase of 2.8% for 2023 and a further increase of 3.0% for 2024. This means that the growth forecasts are each 0.1 percentage points below the forecasts made in January of this year<sup>3</sup>.

In addition to the current risks such as geopolitical tensions and persistently high inflation, there has been renewed uncertainty on the financial markets since the beginning of 2023. This reached its lowest point to date in March 2023 in the form of the massive problems at Credit Suisse.<sup>4</sup>

### Development in Europe

According to the Kiel Institute for the World Economy, economic output in the euro area was able to increase overall in 2022 despite temporarily high energy prices and the associated reduction of purchasing power.<sup>5</sup> After low growth rates in the first three quarters, however, GDP stagnated in the fourth quarter of 2022. Over the year, overall economic production in the euro area rose by 3.5% according to the IfW.<sup>6</sup>

Like the euro area, most of the economies of other European countries also showed a more positive economic development in 2022 than had initially been expected. The Central and Eastern European EU countries of Poland, Hungary, Croatia, Bulgaria and Romania in particular have been able to cushion the expected consequences of the war between Russia and Ukraine and showed significantly higher economic growth at the end of 2022 than had been forecast at the beginning of the war.<sup>7</sup> In Europe's two largest economies, Germany (+1.9%) and France (+2.6%), GDP growth was weaker than in the euro area as a whole. In the Scandinavian countries Sweden (+2.7%) and Denmark (+3.6%), economic growth was at a slightly higher level. The Baltic states Estonia (-1.1%), Latvia (+2.0%) and Lithuania (+1.9%) as well as Slovakia (+1.7%) bring up the rear in terms of GDP development for 2022. Ireland was again able to show the highest GDP growth in the EU at 12.2%.<sup>8</sup>

### Development in Germany

Economic development in Germany in 2022 was also significantly influenced by the effects of the Russian war in Ukraine, especially with regard to rising energy and consumer prices.<sup>9</sup> On the other hand, easing supply bottlenecks in the manufacturing sector had a positive effect. However, the significant interest rate hikes by the European Central Bank are proving to be a new inhibiting factor.<sup>10</sup>

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<sup>1</sup>In the section on overall economic development, information on a quarter refers to the calendar year and not to the financial year of KPS (1 October – 30 September).

<sup>2</sup><https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>

<sup>3</sup>Ibid.

<sup>4</sup>Ibid.

<sup>5</sup>[https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2023/KKB\\_100\\_2023\\_Q1\\_Euroraum.pdf](https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2023/KKB_100_2023_Q1_Euroraum.pdf)

<sup>6</sup>Ibid.

<sup>7</sup>[https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2023/KKB\\_99\\_2023-Q1\\_Welt.pdf](https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2023/KKB_99_2023-Q1_Welt.pdf)

<sup>8</sup>Ibid.

<sup>9</sup>[https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2023/KKB\\_101\\_2023-Deutschesland\\_DE.pdf](https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2023/KKB_101_2023-Deutschesland_DE.pdf)

<sup>10</sup>Ibid.

According to the Kiel Economic Reports, private consumption expenditure recorded a significant positive increase of 4.3% compared to the previous year, nearly reaching the level from the pre-corona year 2019.<sup>11</sup> While private consumption increased through the third quarter, there was a decline of 1.0% in the fourth quarter of 2022 due to high inflation. This affected spending on leisure activities and in retail in particular.<sup>12</sup>

Viewed by quarters, the German gross domestic product showed a restrained development. An increase of 0.1% was recorded in the second quarter of 2022. The third quarter of 2022 also saw slight growth of 0.5%, with the fourth quarter of 2022 ending with a slump of -0.4%.<sup>13</sup>

Unemployment rates in Germany dropped by 0.4 percentage points to 5.3% in 2022.<sup>14</sup>

## 1.2 Industry-specific framework conditions

The total sales of the German consulting industry increased by 15% to EUR 43.7 billion (previous year: EUR 38.1 billion) in 2022, according to the German Association of Management Consultants (BDU).<sup>15</sup>

In terms of the size of the market participants, the consulting market in 2022 consisted of around 175 consulting firms with more than EUR 50 million in turnover, just under 3,500 management consultancies with between EUR 1 million and EUR 50 million in sales and around 22,700 market participants with under EUR 1 million in annual turnover. The ten largest consultancies accounted for 23% of total sales. In 2022, about 220,000 people were employed in the consulting industry, of which approximately 173,000 were management consultants.<sup>16</sup>

## 1.3 Business performance

On 17 January 2023, KPS AG announced that it would acquire Graphyte B.V.. Graphyte is a leading SAP consulting partner in Belgium that specialises in digitalisation consulting for the supply chain. Through this acquisition, KPS is strengthening its international positioning and consistently pursuing its internationalisation strategy.

The consolidation took place in January 2023. In the figures and results for the first half of financial year 2022/2023, Graphyte's contribution to sales was EUR 1.8 million and its contribution to EBITDA was EUR 0.5 million. Due to the consolidation effects, the figures for the first six months of financial year 2022/2023 are only comparable with the figures for the same period in the previous year to a limited extent in the following statements.

In the first six months of financial year 2022/2023, the KPS Group achieved sales of EUR 94.7 million, which represents growth of 9.4% compared to the first half of 2021/2022 (EUR 86.6 million). Excluding the first-time consolidation of Graphyte, growth would be 7.3%. In the first half of the financial year 2022/2023, KPS saw demand situation for transformation projects.

However, KPS still had to rely on many external consultants and service providers for some of its projects. As a result, cost of materials increased by around 18.4% and the cost of materials ratio (cost of materials in relation to sales) was 37.9% after 35.0% in the same period of the previous year. At the same time, personnel expenses rose by 9.6%, resulting in a personnel expense ratio of 43.4% in the reporting period (previous year: 43.3%). The increase in personnel expenses is due to the build up of personnel on the one hand and to rising salaries on the other hand. KPS was unable to escape the price pressure and had to

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<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

<sup>15</sup> <https://www.bdu.de/news/branchenstudie-2023/>

<sup>16</sup> Ibid.

make salary adjustments to its current staff. In addition, newly hired consultants could not be fully utilised or deployed. Lastly, other operating expenses rose by 27.9%, partly due to increased travel activities.

As a result of the significant increase in nearly all types of expenses compared to the same period of the previous year, EBITDA declined by 31.1% to EUR 7.6 million in the first six months of 2022/2023. EBIT was EUR 4.0 million and thus 46.4% below the previous year's level (EUR 7.5 million).

### 1.3.1 Results of operations for the KPS Group

Income statement of the KPS Group in accordance with IFRS (abbreviated version)

in KEUR	2022/2023	2021/2022
Revenues	94,683	86,566
Own work capitalized	0	44
Other operating income	295	382
Cost of materials	-35,879	-30,300
Personnel expenses	-41,098	-37,503
Other operating expenses	-10,371	-8,111
Operating result before depreciation and amortization (EBITDA)	7,629	11,078
Depreciation and amortization (M&A adjusted)	-3,130	-3,229
Operating result (EBIT) adjusted	4,500	7,849
Amortization and depreciation (M&A related)	-497	-385
Operating result (EBIT)	4,003	7,464
Financial result	-377	-234
Earnings before income taxes*	3,626	7,231
Income tax**	-1,023	-2,155
Earnings after income taxes	2,603	5,076

\* corresponds to the result from ordinary activities

\*\*the tax rate determined for the annual financial statement 30.09.2022 was used to calculate the tax charge for the first half of business year 2022/2023

#### Revenues

KPS achieved robust revenue growth of 9.4% in the first half of business year 2022/2023. This brought revenues to EUR 94.7 million, compared to EUR 86.6 million in the first half of 2021/2022. A moderate demand for ERP projects contributed to revenue growth.

In the reporting period, revenues in Germany increased by 30,7 % to EUR 45.4 million. This means 47.9 % of the Group's revenues were generated in Germany. Revenues recorded abroad decreased by 4.9% to EUR 49.3 million mainly due to a strong revenue decrease in the Scandinavian countries.

#### Own work capitalised

In the first half of business year 2022/2023, no own work was capitalized (previous year: EUR 0.4 million).

#### Other operating income

In the reporting period, as in the same period of the previous year, other operating income includes income from ancillary operating services. This includes recharges and income from the reversal of provisions. Overall, other operating income remained more or less unchanged compared to the same period of the previous year at EUR 0.3 million (previous year: EUR 0.4 million).

**Cost of materials**

In the reporting period, cost of materials increased by 18.4 % or EUR 5.6 million to EUR 35.9 million (previous year: EUR 30.3 million). Accordingly, the cost of materials ratio increased in the reporting period compared to the previous year from 35.0 % to 37.9 %.

The increase is mainly due to the increased use of external consultants. Expenses for external services rose by 18.3 % to EUR 34.9 million in the reporting period (same period of the previous year: EUR 29.5 million).

**Personnel expenses**

Personnel expenses increased by 9.6 % to EUR 41.1 million in the reporting period (same period of the previous year: EUR 37.5 million). The personnel expense ratio remained with 43.4 % on the level of the previous year (43.3 %). As of 31 March 2023, the KPS Group employed 741 people (31 March 2022: 668).

**Other operating expenses**

Other operating expenses rose by 27.9 % to EUR 10.4 million (previous year: EUR 8.1 million). They mainly include travel and vehicle costs, non-project-related external services and operating costs. Increased travel costs in comparison to the limited, pandemic-related travel activities in the previous year as well as increased advertising expenses contributed to the increase of other operating expenses overall.

**Depreciation and amortisation**

Depreciation of property, plant and equipment and amortisation of intangible assets amounted to EUR 3.6 million, on the level of the same period in the previous year (EUR 3.6 million).

Depreciation and amortisation includes IFRS16 ("Leasing") related depreciation and amortisation of EUR 2.4 million (previous year: EUR 2.4 million) and M&A-related depreciation and amortisation of EUR 0.5 million (previous year: EUR 0.4 million).

**Financial result**

The financial result of the Group in the first half of business year 2022/2023 was EUR - 0.4 million (previous year: EUR - 0.2 million).

**Earnings after income taxes**

KPS achieved earnings after taxes of EUR 2.6 million compared to EUR 5.1 million in the same period of the previous year. The tax rate in the reporting period was 28.2 % and thus below the tax rate of 29.8 % in the same period of the previous year. The tax rate determined for the annual financial statement of business year 2021/2022 was used to calculate the tax charge for the first half of business year 2022/2023.

**EBIT**

KPS generated EBIT of EUR 4.0 million in the reporting period. EBIT was below the same period of the previous year (previous year: EUR 7.5 million). The EBIT margin was 4.2% compared to 8.6% in the first half of 2021/2022.

**Earnings per share**

Diluted as well as undiluted earnings per share amounted to EUR 0.07 in the first half of business year 2022/2023 compared to EUR 0.14 the previous year. The average number of shares has not changed compared to the previous year and remains at 37,412,100.

**1.4 Total assets and capital structure of the KPS Group (abbreviated version)**

in KEUR	31.03.2023	30.09.2022
Non-current assets	109,965	102,673
Current assets	56,677	57,391
<b>Total assets</b>	<b>166,642</b>	<b>160,065</b>
Shareholders equity	74,427	71,792
Non-current liabilities	25,924	23,082
Current liabilities	66,291	65,190
<b>Total liabilities</b>	<b>92,215</b>	<b>88,272</b>
<b>Total shareholders equity and liabilities</b>	<b>166,642</b>	<b>160,065</b>

**Value-based Group controlling**

A monitoring and controlling system is in place at KPS Group that is aimed at increasing the value of the entire Group. Targets are derived from the system and defined for the individual segments and the Group company. Controlling is managed at the Group level and implemented via the segments down to the individual profit centre levels. Periodic controlling is carried out on the basis of the international accounting and valuation principles. Besides sales and EBITDA, specific segment and profit centre indicators are used as measures of performance in controlling.

**Financial position and investments**

Financial management at KPS is fundamentally aimed at ensuring the company's liquidity at all times. It comprises capital structure, cash and liquidity management.

With the results generated in the half year under review as well as the solid balance sheet structure as at 31 March 2023, we have succeeded in providing sufficient liquid funds for the continued operation of KPS.

As at the reporting date of 31 March 2023, cash and cash equivalents amounted to EUR 10.3 million and therefore above the reporting date of 30 September 2022 (EUR 6.1 million). There were bank liabilities of EUR 29.4 million (30 September 2022: EUR 21.0 million). This results in direct net financial debt, calculated on the basis of cash and cash equivalents less liabilities to banks, of EUR 19.1 million as at the reporting date 31 March 2023 (30 September 2022: EUR 14.9 million). The increase is due to the acquisition of Graphyte B.V. in the amount of EUR 5.6 million.

Cash flow from operating activities in the first half of business year 2022/2023 was EUR 6.0 million compared to EUR 2.9 million the previous year.

Cash flow from investing activities in the reporting period 2022/2023 amounted to EUR -8.4 million (previous year: EUR -4.5 million). The increased cash outflows from investing activities are mainly due to the cash outflows for purchase price payments for company acquisitions.

Cash flow from financing activities amounted to EUR 5.4 million in the first half of the year (same period of the previous year: EUR 1.7 million).

Cash and cash equivalents amounted to EUR 10.3 million as of the reporting date 31 March 2023, compared to EUR 6.1 million as of the reporting date of the previous year end (30 September 2022).

#### **Asset position**

Total assets at the end of the reporting period 31 March 2022 amounted to EUR 166.4 million, which represents a slight increase of 4.1 % compared to the reporting date 30 September 2021 (EUR 160.4 million).

#### **Development of assets**

Non-current assets amounted to EUR 110.0 million as at the reporting date of 31 March 2023 (reporting date 30 September 2022: EUR 102.7 million). The rights of use from the capitalisation of leases included in this total amounted to EUR 24.0 million (30 September 2022: EUR 23.4 million). The increase is mainly due to an index-based rental fee increase of a long-term rental contract. In addition, non-current assets include goodwill from company acquisitions of KPS in the amount of EUR 68.7 million (30 September 2022: EUR 62.5 million) as well as intangible assets in the amount of EUR 11.1 million (30 September 2022: EUR 10.4 million). The increase is exclusively due to the acquisition of Graphyte B.V.. Non-current assets accounted for 66.0 % of total assets at the end of the reporting period (30 September 2022: 64.1 %).

Current assets of EUR 56.7 million as at the reporting date 31 March 2022 consisted primarily of trade receivables and contract assets with the total amount of EUR 39.4 million (30 September 2022: EUR 45.8 million) and cash equivalents of EUR 10.3 million (30 September 2022: EUR 6.1 million). Trade receivables together with contract assets decreased by EUR 6.4 million or 13.9 % compared to the reporting date of 30 September 2022.

#### **Development of equity**

The equity of the KPS Group increased by EUR 2.6 million compared to the reporting date 30 September 2022 and shows a value of EUR 74.4 million as at 31 March 2023 (30 September 2022: EUR 71.8 million). The equity ratio was 44.7 % at the end of the reporting period 31 March 2023 compared to 44.9 % as at the reporting date 30 September 2022.

#### **Development of liabilities**

As of the reporting date 31 March 2023, non-current liabilities increased by 12.3 % or EUR 2.8 million to EUR 25.9 million compared to the reporting date 30 September 2022. At EUR 18.8 million (30 September 2022: EUR 18.5 million), the largest item within non-current liabilities was non-current lease liabilities. In addition to long-term lease liabilities, non-current liabilities include bank loans of EUR 0.8 million (30 September 2022: EUR 1.5 million) and liabilities for earn-out payments.

Current liabilities increased slightly by 1.6 % to EUR 66.3 million (30 September 2022: EUR 65.2 million) compared to the reporting date 30 September 2022.

Trade payables amounted to EUR 10.1 million as at the reporting date (30 September 2022: EUR 11.2 million). Current financial liabilities increased by 46.4 % to EUR 28.5 million. The increase is mainly the result of earn-out payments.

### 1.5 Alternative performance measures

KPS AG uses alternative performance measures (APMs) that are not defined in accordance with IFRS as part of its regular and mandatory publications. The definitions of the alternative performance measures have been made publicly available on the website at <https://kps.com/global/en/company/investor-relations.html>.

### 1.6 Employees

#### Supplementary report on personnel

Our employees impress our clients with their in-depth specialised knowledge and outstanding commitment to performance. This requires a high level of professional qualification as well as continuous training of our employees. We also apply these standards when recruiting new staff. Our main guiding principles are the best possible customer orientation, a pronounced willingness to perform, safeguarding and improving our quality standards, and a positive working environment.

As at 31 March 2023, the KPS Group employed 741 people. As at the reporting date 30 September 2022, the number of employees was 725 and as at the reporting date 31 March 2022, 668.

In Germany, KPS employed 506 people (30 September 2022: 508). This represents a share of 68.3 % (30. September 2022: 70.1 %) in the overall Group.

Personnel expenses in the reporting period were EUR 41.1 million, 9.6 % higher than in the same period of the previous year.

## Employees at the KPS Group

	31.03.2023	30.09.2022	Change
<b>Employees by region</b>			
Germany	506	508	-2
Spain	95	94	1
Great Britain	82	78	4
Denmark	19	17	2
Switzerland	4	6	-2
Austria	8	8	0
Sweden	5	6	-1
Norway	4	3	1
Netherlands	6	5	1
Belgium	12	0	12
<b>Total</b>	<b>741</b>	<b>725</b>	<b>16</b>
<b>Employees by function</b>			
Executive Board	1	1	0
Managing Directors	10	9	1
Consultants	613	603	10
Administration	110	108	2
Apprentices	7	4	3
<b>Total</b>	<b>741</b>	<b>725</b>	<b>16</b>

Besides the Managing Directors mentioned in the table above, the Executive Board member of KPS AG, Leonardo Musso, has also been appointed Managing Director (in total of thirteen companies). Thus, eleven persons are active as Managing Directors in the KPS Group as at 31 March 2023.

### 1.7 Supplementary Report

#### Reportable events

On 26 April 2023, KPS AG published an ad-hoc announcement and adjusted its forecast for financial year 2020/2023, which was published on 26 January 2023.

For the current financial year 2022/2023, the Executive Board of KPS AG currently expects Group sales to be slightly below the previous year's level (FY 2021/2022: EUR 179.5 million) and Group EBITDA to be within the range of between EUR 11 million and EUR 14 million.

The Executive Board issued its original forecast in anticipation of higher demand and has already built up the respective personnel capacities in the KPS Group in the past. Nevertheless, the current business climate in the retail sector, KPS's core segment, has led to a general reluctance to take on new projects – especially in the digital sector. This led to a decline in sales in certain high-priced markets and business areas as well as a lack of staff utilisation and idle capacity costs. Furthermore, increased wage inflation

has weighed on the Group's profitability. KPS has already initiated measures to adjust the workforce to the changed market environment in the affected business units.

On 5 May 2023, KPS AG published an ad-hoc announcement over the reduction of the dividend from EUR 0.19 as published in Federal Gazette on 30 March 2023 to EUR 0.10. The reduction of the dividend proposal is, in the management's opinion, a logical step in the interest of the company in response to the economic slowdown in the core segment of KPS and the development of the interest rate level. The additional retained earnings contribution is part of a catalogue of measures to counter these uncertainties and to preserve the company's liquidity reserves and credit lines.

No further reportable events or changes have occurred up until the date of preparation of this Group Management Report that affect the Group's situation as conveyed in these Consolidated Financial Statements for the reporting period 1 October 2022 to 31 March 2023.

#### **Changes in the asset, financial and earnings positions**

Apart from the adjustment of the forecast and the reduction of the dividend, no events of particular significance have occurred since 31 March 2023 that are expected to have an impact on the asset, financial or earnings positions of the situation presented in the Consolidated Financial Statements for the reporting period 1 October 2022 to 31 March 2023.

#### **Executive Board's assessment of the development in the reporting period 1 October 2022 to 31 March 2023**

In the first half of the year, the sales were achieved with reported growth of 9.4%. Demand for consulting and transformation services was at a high level, especially in the area of Digital Enterprise ("ERP projects"). However, there were already signs of declining demand in the second quarter.

Several factors led to an overall decline in EBITDA of 31.1%: Wage inflation, high use of external consultants, increasing travel, partial underutilisation of the consultant team.

#### **Executive Board's assessment of developments for the period after 1 April 2023**

The burdening factors on the cost side continued at the beginning of the second half of the financial year. At the same time, customers have held back on new projects, even in markets with high margins. Therefore, the Executive Board had to revise its assessment for the second half of the financial year. The Executive Board immediately initiated measures to adjust the size of the organisation the structure to the new circumstances and to improve the profitability of the KPS Group as a whole.

## **2. OPPORTUNITY AND RISK REPORT**

The economic development in Germany as well as in our most important European markets and the resulting change in investment behaviour have a major impact on the financial and earnings position as well as the net assets of the KPS Group. As part of our research activities, we regularly evaluate studies and forecasts by economic institutes in order to obtain the necessary overview of the probable development of the economy in the markets relevant to us.

As an important event after the reporting date of the reporting period (1 Oct. 2022 – 31 March 2023), KPS adjusted its forecast for the current financial year in an ad-hoc publication and revised it significantly downwards (see section entitled Forecast Report). In particular, the risks in some key markets have increased, combined with the decline in demand for projects as well as negative effects on the development of sales and earnings.

As an important event after the reporting date of the reporting period (1 Oct. 2022 – 31 March 2023), KPS published an ad-hoc announcement over the reduction of the dividend for the previous financial year 2021/2022 (see section Supplementary Report). The reduction of the dividend proposal is, in the

management's opinion, a logical step in the interest of the company in response to the economic slowdown in the core segment of KPS and the development of the interest rate level.

For the presentation and assessment of further individual risks, we refer to the detailed report in the 2022/2023 Annual Report.

### 3. FORECAST REPORT

#### 3.1 Macroeconomic forecast

##### **Macroeconomic global economy**

After the already weakened growth in global production of 3.2% in 2022, growth of 2.0 % is now expected in 2023 according to the joint diagnosis of the leading economic research institutes.<sup>17</sup>

World trade was able to record an increase of 3.2% in 2022, while a significant decline in growth to 0.4% is expected in the current year 2023. For 2024, world trade is again forecast to recover to growth of 2.8%. According to the joint economic forecast, the main factors influencing the declining growth momentum are, on the one hand, the high inflation rates in many places and the consequently reduced purchasing power of private households. On the other hand, especially in Europe, high energy prices continue to burden households and companies, even though there is no acute energy crisis in Europe. At the same time, the opening of the Chinese economy after the end of the pandemic and the accompanying improvement in the economic outlook in Asia are being counteracted by the end of the boom in IT goods and semiconductors.<sup>18</sup>

In order to maintain price stability, central banks worldwide have reacted to the high price increases with strong key interest rate hikes. According to the joint economic forecast, the increased interest rates for banks were accompanied by valuation losses and lower equity ratios. However, the uncertainty on the financial markets has decreased noticeably since then. On the other hand, the joint forecast expects further interest rate hikes by central banks, peaking in the third quarter of 2023 at 4% in the euro area and a range of 5% to 5.25% in the US.<sup>19</sup>

##### **Forecast for the European economy**

According to the assessment of the leading German economic institutes, a moderately reduced but still high inflation could lead to a loss of purchasing power in real terms, which would increasingly burden private consumption in particular. Moreover, cost increases related to energy prices are lagging behind, which, contrary to the general trend, has recently led to price increases in product categories such as services and industrial goods.<sup>20</sup>

Nevertheless, the economic outlook in the euro area has brightened somewhat overall. According to the institutes, a positive factor is that energy prices have fallen significantly again after the very sharp increases in 2022 and should be lower in the coming years than expected a few months ago. Private consumption could also increase noticeably again as a result. Fiscal policy measures to combat inflation, but also rising wage incomes, should ease the pressure on households' real disposable income, while investment momentum will remain burdened by sharply higher interest rates. Euro area aggregate output is expected to grow by 0.9% in 2023, rising to 1.6% in 2024.<sup>21</sup>

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<sup>17</sup> [https://gemeinschaftsdiagnose.de/wp-content/uploads/2023/04/GD\\_F23-Gesamtdokument\\_Druckfahne\\_2.pdf](https://gemeinschaftsdiagnose.de/wp-content/uploads/2023/04/GD_F23-Gesamtdokument_Druckfahne_2.pdf)

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.

Unemployment has stabilised at a historically low level following a temporary increase due to the COVID-19 pandemic. For the euro area, the joint economic forecast accordingly expects an unemployment rate of 6.7% for both 2023 and 2024, the same level as in 2022.<sup>22</sup>

### Forecast for the German economy

For 2023, the leading economic research institutes expect an increase in gross domestic product of 0.3% and growth of 1.5% in 2024.<sup>23</sup> After the German economy was unable to develop much momentum in 2022, the predominantly supply-side impediments have now increasingly eased. According to the joint economic forecast, the manufacturing sector in particular is likely to become a pillar of the economic recovery in the coming quarters, fuelled by easing supply bottlenecks and cheaper energy prices. The peak of the inflation wave also seems to have passed, while significant consumer price declines are not expected for the time being due to continued high demand. Rising real wages could make a positive contribution to private consumption again from 2024.<sup>24</sup>

Furthermore, an unemployment rate of 5.4% is forecast in 2023 and thus roughly at the previous year's level (2022: 5.3%), which is expected to stagnate at this level in the following year (2024: 5.3%).<sup>25</sup> According to the joint economic forecast, the deficit of public budgets will decline only slightly to 2.2% in relation to nominal GDP in 2023 (2022: -2.6%). This is largely due to rising incomes as a result of inflation, as their effects are first felt in revenues and only with a delay in government expenditure. The lower expenditure as a result of the slowdown in the pandemic is not initially accompanied by a significant relief of the budget, as the state budget is strained elsewhere, by sharply increased energy prices, for example.<sup>26</sup>

### 3.2 Industry-specific forecast

The German Association of Management Consultants (BDU) expects the consulting industry to grow by 12.0% in 2023, following record growth of 15% in 2022. Demand for consulting services is expected to be particularly strong in the areas of sustainability, restructuring consulting and IT. According to the BDU, the rapid developments in the field of artificial intelligence in particular currently hold great opportunities.<sup>27</sup> However, according to KPS management, the industry outlook has clouded over in calendar year 2023. There are more delays or pauses, especially in larger projects. At the time this report was being written, it cannot be estimated whether these effects are temporary or, contrary to market expectations, a longer-lasting weakness in demand can be expected in 2023.

of the budget, as the state budget is strained elsewhere, by sharply increased energy prices, for example.<sup>28</sup>

### 3.3 Forecast for financial year 2022/2023

In January 2023, KPS was optimistic about the current financial year 2022/2023 based on the data and order situation available at that time and published a forecast that assumed a mid-single-digit percentage increase in sales in financial year 2022/2023 compared to the previous year 2021/2022 and an increase in EBITDA in the high single-digit to low double-digit percentage range.

However, demand in individual key markets has not developed in line with KPS's original expectations. Therefore, the forecast was adjusted on 26 April 2023 in an ad-hoc announcement.

For the current financial year 2022/2023, the Executive Board of KPS AG currently expects Group sales to be slightly below the previous year's level (FY 2021/2022: EUR 179.5 million) and Group EBITDA to be within a range of between EUR 11 million and EUR 14 million.

<sup>22</sup> Ibid.

<sup>23</sup> [https://gemeinschaftsdiagnose.de/wp-content/uploads/2023/04/GD\\_F23-Gesamtdokument\\_Druckfahne\\_2.pdf](https://gemeinschaftsdiagnose.de/wp-content/uploads/2023/04/GD_F23-Gesamtdokument_Druckfahne_2.pdf)

<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

<sup>27</sup> <https://www.bdu.de/news/branchenstudie-2023/>

<sup>28</sup> Ibid.

The Executive Board issued its original forecast in anticipation of higher demand. Accordingly, the corresponding personnel capacities in the KPS Group were built up in the past. However, the current business climate in retail, the core segment of KPS, led to a general reluctance to take on new projects – especially in the digital sector. This led to a decline in sales in individual high-priced markets and areas of the business as well as a lack of staff utilisation and empty costs. Furthermore, increased wage inflation has weighed on the Group’s profitability. KPS has already initiated measures to adjust the workforce to the changed market environment in the affected business units.

Unterföhring, May 2023  
The Executive Board

**KPS GROUP**  
INTERIM FINANCIAL STATEMENTS

22/  
23



**KPS**

**KPS AG Group Interim Financial Statements in accordance with IFRS**  
**INCOME STATEMENT**  
**For the period from 1 October 2021 to 31 March 2022**

in KEUR		2022/2023	2021/2022
1	Revenues	94,683	86,566
2	Own work capitalized	0	44
3	Other operating income	295	382
4	Cost of materials	-35,879	-30,300
5	Personnel expenses	-41,098	-37,503
6	Other operating expenses	-10,371	-8,111
<b>7</b>	<b>Operating result before depreciation and amortization (EBITDA)</b>	<b>7,629</b>	<b>11,078</b>
8	Depreciation and amortization (M&A adjusted) *	-3,130	-3,229
<b>9</b>	<b>Operating result (EBIT) adjusted *</b>	<b>4,500</b>	<b>7,849</b>
10	Depreciation and amortization (M&A related)	-497	-385
<b>11</b>	<b>Operating result (EBIT)</b>	<b>4,003</b>	<b>7,464</b>
12	Financial income	10	0
13	Financial expenses	-387	-234
<b>14</b>	<b>Financial result</b>	<b>-377</b>	<b>-234</b>
<b>15</b>	<b>Earnings before income taxes **</b>	<b>3,626</b>	<b>7,231</b>
16	Income tax	-1,023	-2,155
<b>17</b>	<b>Earnings after income taxes</b>	<b>2,603</b>	<b>5,076</b>
	Number of shares in thousands - basic/diluted weighted average	37,412	37,412
<b>in euros</b>			
<b>Earnings per share</b>			
	– basic	0.07	0.14
	– diluted	0.07	0.14

\* adjusted by depreciation and amortization on the assets disclosed as part of company mergers and on the acquired customer relationships (M&A related)

\*\* corresponds to earnings from ordinary activities

**KPS AG Group Interim Financial Statements in accordance with IFRS**  
**COMPREHENSIVE INCOME STATEMENT**  
**for the period from 01 October 2022 to 31 March 2023**

in KEUR	31.03.2023	31.03.2022
Earnings after income taxes	2,603	5,076
Actuarial gains and losses arising from defined benefit pension commitments and similar obligations	0	0
Foreign currency translation adjustment for foreign subsidiary companies	-73	0
<b>Comprehensive income</b>	<b>2,530</b>	<b>5,076</b>

**INDICATORS FOR THE INCOME STATEMENT**

in KEUR	31.03.2023	31.03.2022
Revenues	94,683	86,566
EBITDA	7,629	11,078
EBITDA margin	8.1%	12.8%
EBIT	4,003	7,464
EBIT margin	4.2%	8.6%

**KPS AG Consolidated Financial Statements in accordance with IFRS**  
**GROUP BALANCE SHEET**  
as of 31 March 2023

**ASSETS**

in KEUR	31.03.2023	30.09.2022
<b>ASSETS</b>		
<b>A. NON-CURRENT ASSETS</b>		
I. Property, plant and equipment	1,985	2,126
II. Goodwill	68,660	62,546
III. Other intangible assets	11,098	10,401
IV. Rights of use from leasing contracts	24,045	23,424
V. Deferred tax assets	4,177	4,177
	<b>109,965</b>	<b>102,673</b>
<b>B. CURRENT ASSETS</b>		
I. Contractual assets	14,582	3,180
II. Trade receivables	24,807	42,592
III. Other receivables and financial assets	4,916	3,864
IV. Entitlements to income tax rebates	2,122	1,697
V. Cash and cash equivalents	10,251	6,058
	<b>56,677</b>	<b>57,391</b>
<b>Total assets</b>	<b>166,642</b>	<b>160,065</b>

**KPS AG Consolidated Financial Statements in accordance with IFRS**  
**GROUP BALANCE SHEET**  
as of 31 March 2023

**LIABILITIES AND SHAREHOLDERS' EQUITY**

in KEUR	31.03.2023	30.09.2022
<b>A. SHAREHOLDERS EQUITY</b>		
<b>Share in equity attributable to shareholders of KPS AG</b>		
I. Subscribed capital	37,412	37,412
II. Capital reserve	-9,897	-10,001
III. Retained earnings	663	663
IV. Other comprehensive income	301	374
V. Group net profit	45,948	43,345
<b>Total equity</b>	<b>74,427</b>	<b>71,792</b>
<b>LIABILITIES</b>		
<b>B. NON-CURRENT LIABILITIES</b>		
I. Non-current provisions	1,847	1,685
II. Other non-current liabilities	2,615	0
III. Non-current financial liabilities	828	1,500
IV. Non-current leasing liabilities	18,815	18,505
V. Deferred tax liabilities	1,818	1,392
	<b>25,924</b>	<b>23,082</b>
<b>C. CURRENT LIABILITIES</b>		
I. Trade liabilities	10,128	11,232
II. Financial liabilities	28,550	19,500
III. Contract liabilities	404	273
IV. Other provisions	12,743	14,203
V. Other liabilities	7,844	12,719
VI. Current leasing liabilities	4,642	4,477
VII. Income tax liabilities	1,981	2,786
	<b>66,291</b>	<b>65,190</b>
<b>Total liabilities</b>	<b>92,215</b>	<b>88,272</b>
<b>Total shareholders equity and liabilities</b>	<b>166,642</b>	<b>160,065</b>
<b>Equity ratio</b>	<b>44.7%</b>	<b>44.9%</b>

**KPS AG Group Interim Financial statements in accordance with IFRS**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**for the period from 1 October 2022 to 31 March 2023**

in KEUR	31.03.2023	31.03.2022
<b>A. Current business operations</b>		
Earnings before interest and income tax (EBIT)	4,003	7,464
Depreciation of fixed assets	3,627	3,614
Change in current assets	6,450	-4,452
Change in provisions	-1,539	-735
Other non-cash expenses and income	305	256
Change in other liabilities	-4,570	-347
Losses from asset disposals	0	1
Taxes paid	-2,283	-2,786
Interest received	10	0
<b>Cash inflow/outflow from current business operations</b>	<b>6,003</b>	<b>3,015</b>
<b>B. Investment activities</b>		
Investments in property, plant and equipment	-55	-63
Investments in intangible assets	-36	-47
Investments in the acquisition of KPS Business and Digital Transformation S.L.U.	0	-2,329
Investments in the acquisition of Infront Consulting & Management GmbH	-1,058	-1,018
Investments in the acquisition of KPS digital Ltd.	-1,642	-1,005
Investments in the acquisition of Graphyte B.V.	-5,604	0
<b>Cash inflow/outflow from investment activities</b>	<b>-8,395</b>	<b>-4,462</b>
<b>C. Financial activities</b>		
Interest paid	-273	-142
Interest paid leasing liabilities	-91	-78
Cash receipts from taking out loans	28,500	17,000
Payments for the settlement of loans	-20,280	-12,750
Payments for the settlement of leasing liabilities	-2,448	-2,515
Dividend payout	0	0
<b>Cash inflow/outflow from financial activities</b>	<b>5,408</b>	<b>1,515</b>
<b>D. Net change in cash funds</b>	<b>3,016</b>	<b>69</b>
<b>E. Cash funds at the beginning of the period</b>	<b>6,058</b>	<b>8,060</b>
<b>F. Consolidation-related change in cash funds</b>	<b>1,177</b>	<b>0</b>
<b>G. Cash funds at the end of the period</b>	<b>10,251</b>	<b>8,129</b>

**Composition of Cash and Cash Equivalents in the Consolidated Cash Flow Statement**

in KEUR	31.03.2023	31.03.2022
Cash in hand and bank balances	10,251	8,129
Cash funds	10,251	8,129

**KPS AG CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT KPS - IFRS**

in KEUR	Subscribed capital	Treasury shares	Total of subscribed capital	Capital reserve	Retained earnings OCI	Currency translation differences	Accumulated other comprehensive income		Equity
							Pension commitments	Group net profit	
<b>30.09.2021</b>	<b>37,412</b>	<b>0</b>	<b>37,412</b>	<b>-10,222</b>	<b>663</b>	<b>72</b>	<b>192</b>	<b>40,902</b>	<b>69,019</b>
Disposal of treasury shares	0	0	0	0	0	0	0	0	0
Dividend payout	0	0	0	0	0	0	0	0	0
Changes recognized without affecting income	0	0	0	0	0	0	0	0	0
Group earnings	0	0	0	0	0	0	0	5,076	5,076
<b>31.03.2022</b>	<b>37,412</b>	<b>0</b>	<b>37,412</b>	<b>-10,222</b>	<b>663</b>	<b>72</b>	<b>192</b>	<b>45,978</b>	<b>74,095</b>
Disposal of treasury shares	0	0	0	0	0	0	0	0	0
Dividend payout	0	0	0	0	0	0	0	-7,107	-7,107
Changes recognized without affecting income	0	0	0	0	0	-126	236	0	110
Share-based payment management	0	0	0	221	0	0	0	0	221
Group earnings	0	0	0	0	0	0	0	9,550	9,550
<b>30.09.2022</b>	<b>37,412</b>	<b>0</b>	<b>37,412</b>	<b>-10,001</b>	<b>663</b>	<b>-54</b>	<b>428</b>	<b>43,345</b>	<b>71,793</b>
Disposal of treasury shares	0	0	0	0	0	0	0	0	0
Dividend payout	0	0	0	0	0	0	0	0	0
Changes recognized without affecting income	0	0	0	0	0	-73	0	0	-73
Share-based payment management	0	0	0	104	0	0	0	0	104
Group earnings	0	0	0	0	0	0	0	2,603	2,603
<b>31.03.2023</b>	<b>37,412</b>	<b>0</b>	<b>37,412</b>	<b>-9,897</b>	<b>663</b>	<b>-127</b>	<b>428</b>	<b>45,948</b>	<b>74,427</b>

**KPS GROUP**  
SELECTED EXPLANATORY NOTES

22/23



**KPS**

## 1. INFORMATION ON THE COMPANY AND THE GROUP

KPS AG is an internationally positioned stock corporation based in Germany with its registered office at Beta-Straße 10h, 85774 Unterföhring, Germany. The company is registered with the Munich Local Court under the registration number HRB 123013.

KPS AG is a successful company for business transformation consulting and process optimisation in the retail and consumer goods sector. We advise our customers on strategy, process and technology issues and successfully implement holistic solutions that secure their performance in the long term.

## 2. PRINCIPLES AND METHODS OF PREPARATION OF THE FINANCIAL STATEMENTS

The condensed consolidated half-year financial statements of KPS AG for the period from 1 October 2022 to 31 March 2023 were prepared in accordance with the International Financial Reporting Standards (IFRS), in particular IAS 34 "Interim Financial Reporting." Consequently, these financial statements do not include all the information and disclosures required by IFRS for consolidated financial statements at the end of the business year. Therefore, these interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 30 September 2022.

The condensed consolidated interim financial statements and interim Management Report have not been audited or reviewed by the auditor. In the opinion of the Executive Board, these financial statements imply all adjustments necessary for a fair presentation of the asset and earnings position for the interim result. The results achieved in the first half of business year 2022/2023 do not necessarily allow conclusions to be drawn regarding the development of the further course of business.

## 3. SCOPE OF CONSOLIDATION AND SHAREHOLDINGS

Besides the legal and economic parent company of the Group, the consolidated financial statements include all domestic and foreign subsidiaries in which KPS AG has control over the financial and business policies in order to be able to derive appropriate benefits from them.

In addition to KPS AG as the legal parent company, the scope of consolidation includes the following companies in which KPS AG has a direct or indirect interest and which are included in the consolidated financial statements on the basis of full consolidation.

Shareholding	Registered office	Voting share	
		31.03.2023 in %	30.09.2022 in %
KPS Consulting GmbH	Unterföhring	100	100
KPS Consulting AG	Zürich/Switzerland	100	100
KPS Transformation GmbH	Unterföhring	100	100
KPS Consulting A/S	Virum/Denmark	100	100
KPS B.V.	Amsterdam/Netherlands	100	100
KPS Strategie-, Prozess- und IT-Consulting GmbH	Vienna/Austria	100	100
KPS Business and Digital Transformation S.L.U.	Barcelona/Spain	100	100
Infront Consulting & Management GmbH	Hamburg	100	100
KPS Digital Ltd.	London/United Kingdom	100	100
KPS Consulting AS	Lysaker/Norwegen	100	100
KPS Sweden AB	Stockholm/Schweden	100	100
Graphyte B.V.	Antwerp/Belgium	100	0

## ACQUISITION OF GRAPHYTE B.V.

KPS AG acquired 100% of the shares in Graphyte B.V., Belgium and its subsidiary company Graphyte B.V., Netherlands on 17 January 2023.

Graphyte B.V., hereinafter referred to as Graphyte, with its registered office in Antwerp, Belgium, was established by the Articles of Association dated 24 August 2017.

The object of the company is process consulting in the field of information technology, mainly consulting for SAP Transportation Management as well as SAP Extended Warehouse Management, SAP Yard Logistics, SAP Logistics Business Network and the Manufacturing Execution System (MES), as well as the performance of all related business.

Graphyte contributed EUR 1.8 million to the sales of the KPS Group in the half year under review, while the operating result (EBIT) for the half year under review includes EUR 0.5 million. The after-tax result generated by the acquired business since the date of initial consolidation amounted to EUR 0.4 million.

The fair value of the consideration (purchase price) consists of the cash already paid in the amount of EUR 5.3 million and a contingent purchase price in the amount of EUR 3.2 million. The contingent purchase price is payable in the years 2023 – 2026, provided that Graphyte's EBIT develops steadily as expected. The purchase price for the 100% shares in Graphyte can be allocated to the acquired assets and liabilities at the time of acquisition as follows and resulted in the following net outflow, taking the acquired cash and cash equivalents into account:

Graphyte B.V.	Carrying amount before the acquisition	Adjustment to fair value	Fair value
Figures in KEUR			
<b>Acquired assets and liabilities</b>			
Goodwill	0	6,114	6,114
Other intangible assets	2	1,725	1,727
Property, plant and equipment	7	0	7
Right of use assets	157	0	157
Trade receivables	1,115	0	1,115
Other current assets	67	0	67
Cash and cash equivalents	1,178	0	1,178
Trade payables from deliveries and services	729	0	729
Other liabilities	408	0	408
Financial liabilities	158	0	158
Deferred taxes	0	431	431
<b>Net assets</b>	<b>1,231</b>	<b>7,408</b>	<b>8,639</b>
Fair value of the consideration			8,639
Contingent consideration included therein			3,296
Cash and cash equivalents acquired			1,178
<b>Expected net cash outflow from the acquisition</b>			<b>7,461</b>
Net cash outflow in the reporting period			
Consideration paid in the form of cash			5,604
less cash and cash equivalents acquired			-1,178
<b>Net outflow in the reporting period</b>			<b>4,426</b>

The purchase price allocation takes all findings related to the acquisition date into account, but has not yet been completed. Changes in the allocation of the purchase price to the individual assets are therefore still possible.

The goodwill resulting from the acquisition relates predominantly to the skills of the Graphyte employees who were taken on and the expected synergies from the integration into the existing business operations of KPS AG.

Other current assets include acquired receivables amounting to EUR 1.1 million. The gross amounts of the contract receivables amounted to EUR 1.1 million; no allowances for bad debts were made.

#### 4. CHANGES IN ACCOUNTING AND VALUATION METHODS AND UNCERTAINTIES DUE TO ESTIMATES

At the beginning of the business year on 1 October 2021, various amendments to the accounting and valuation methods of current standards came into force, which had no significant impact on the accounting of the interim consolidated financial statements, either on their own or in combination with other standards. Consequently, these condensed interim consolidated financial statements essentially contain the consistent accounting and valuation methods of the consolidated financial statements for business year 2022/2023.

The interim consolidated financial statements require management to make certain assumptions and estimates that can have a significant effect on the presentation of the financial position and performance. Estimates are based on experience and other assumptions that are believed to be reasonable under the circumstances. They are reviewed on an ongoing basis, but can differ from the actual values.

The estimates used in the consolidated financial statements as at 30 September 2022 for the main areas of application:

- Definition of useful life for non-current assets
- Calculation of completion status of fixed-price projects
- Calculation of discounted cash flows in the context of impairment tests and conditional purchase price obligations and purchase price allocations (fair value)
- Formation and valuation of non-current provisions
- Valuation of receivables

were also made for these interim consolidated financial statements.

Additional information can be found in the consolidated financial statements as at 30 September 2022. These can also be accessed on the Internet at <https://kps.com/global/en/company/investor-relations/financial-publications.html> and form the basis for these interim financial statements.

#### 5. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND THE CONSOLIDATED INCOME STATEMENT

##### 5.1 Revenues

Charges for deliveries and services – reduced by sales reductions and discounts – billed to customers are recognised in revenues.

Revenues derived from the provision of services and maintenance are recognised on a time-period basis, while the sale of software and hardware is realised at a defined point in time. Customers are generally only commercial end users and, to a limited extent, public-sector contracting authorities.

All revenues shown result exclusively from contracts with customers.

Please refer to the segment report regarding the allocation of revenues to individual segments.

## **5.2 Subscribed capital**

The subscribed capital for KPS AG amounted to EUR 37,412,100 on the balance sheet date (previous year: EUR 37,412,100) and was distributed over a total of 37,412,100 no-par value shares (previous year: 37,412,100 no-par value shares), each with a nominal value of EUR 1. The share capital is fully paid in.

During the course of the current business year, no own shares were purchased or sold. No treasury shares were held (previous year: 0 shares) on the balance sheet date.

## **5.3 Treasury shares**

The resolution adopted by the Annual General Meeting on 21 May 2021 and the substitution of the resolution by the Annual General Meeting on 25 September 2020 provided the authorisation to acquire and dispose of its own shares with the right to exclude subscription or other option to offer shares. According to this, the Executive Board is authorised, with the approval of the Supervisory Board, to acquire and dispose of its own shares up to a total amount of 10% of the share capital existing at the time of the resolution. This resolution is effective from the Annual General Meeting and ends at the end of 20 May 2026. The conditions for acquisition, appropriation and exclusion of subscription rights were explicitly regulated.

No portfolio of treasury shares was held on the balance sheet date, and no shares were purchased or sold in the period under review.

# **6. EXPLANATORY NOTES TO THE SEGMENT REPORTING**

The KPS consulting portfolio can be classified into the following three reportable segments, which are subject to regular assessment by the Executive Board. The segmentation is carried out exclusively on the basis of business areas in accordance with the internal alignment.

A distinction is made between the following segments:

## **6.1 Management consulting / Transformation consulting**

This segment is concerned with “transformation consulting,” where the KPS Group occupies a leading position in the consulting market. Transformation consulting involves providing support for customers in the implementation of complex corporate initiatives and developing concepts and solutions taking into account process-related, organisational, logistical, financial and system-related framework conditions. The consulting offer closes the existing gap between traditional strategy and process consultants on the one hand and implementation partners and system integrators on the other. This consulting segment also comprises implementation consulting and the service portfolio of the KPS Group as an SAP consulting partner.

## **6.2 System integration**

The focus of this consulting segment is on process and implementation consulting in the technology sector. The KPS Group covers both the field of non-SAP technologies as well as SAP technologies. The main focus in the SAP technology area is on the subject areas of SOA and Netweaver, and in the non-SAP area on the topics of high-availability, security and storage solutions. Since a secure and highly available system landscape forms the basis for successful companies, the KPS Group uses dedicated solutions to ensure the seamless integration of all processes in the heterogeneous system environment. The Group supports customers in analysing the actual situation and setting up an IT infrastructure where all operational function areas are transparent.

## **6.3 Products / Licenses**

The KPS Group rounds off its spectrum of services by selling software licences, maintenance contracts and hardware components as a certified systems house or certified sales partner in certain areas. These are

products from major manufacturers, in particular SAP, Spryker and OpenText. The Group has been working with these companies for many years and is linked with them through various consulting and sales partnerships.

The breakdown of the asset and income situation in accordance with IFRS 8 is shown in the following table and corresponds to the internal reporting structure:

Presentation by business areas in Keuros	Management-consulting/ Transformations-beratung		System Integration		Products/ Licenses		Other		Total	
	31.03.2023	Prev. Year (*)	31.03.2023	Prev. Year (*)	31.03.2023	Prev. Year (*)	31.03.2023	Prev. Year (*)	31.03.2023	Prev. Year (*)
Earnings position										
Sales	89,969	82,000	667	660	4,046	3,906	0	0	94,683	86,566
Production costs	-65,578	-58,304	-402	-369	-2,863	-2,551	0	0	-68,843	-61,224
Business development	-3,285	-3,127	0	0	-151	-83	0	0	-3,435	-3,211
Operating costs	-8,743	-6,499	5	-9	-63	-91	-5,974	-4,454	-14,775	-11,053
EBITDA	12,364	14,070	270	281	970	1,181	-5,974	-4,454	7,629	11,078
Depreciation and amortization	-3,116	-2,720	-8	-5	-43	-40	-459	-849	-3,627	-3,614
EBIT	9,247	11,350	262	276	927	1,141	-6,434	-5,303	4,003	7,464
Interest	-19	-41	0	0	0	0	-358	-193	-377	-234
Income tax	-2,364	-3,277	-67	-80	-237	-329	1,645	1,531	-1,023	-2,155
Business area result	6,864	8,032	195	196	690	812	-5,147	-3,965	2,603	5,075

## 7. OTHER NOTES AND DISCLOSURES

### 7.1 Contingent liabilities

The subordination between KPS Consulting GmbH & Co. KG and KPS Strategie- Prozess- und IT-Consulting GmbH, Austria, in the amount of EUR 0.4 million continues to exist.

The subordination between KPS AG and KPS Sweden AB in the amount of EUR 0.4 million continues to exist.

The subordination between KPS AG and KPS Transformation GmbH in the amount of EUR 6.0 million continues to exist.

KPS Consulting GmbH (former KPS Services GmbH) has issued a maximum amount guarantee of EUR 30.0 million (previous year: EUR 30.0 million) to secure current account and money market credit lines. As of the balance sheet date, there were current account and money market liabilities of EUR 17.0 million (previous year: EUR 12.0 million).

KPS AG made a commitment for KPS Transformation GmbH and KPS Consulting GmbH in the context of the exemption in accordance with Section 264 paragraph 3 of the German Commercial Code (HGB) to guarantee all the existing obligations of these companies up to 30 September 2022 in respect of their creditors. This duty to assume liability is valid up to and including 30 September 2023.

## **7.2 Acquisitions and foundings after the end of the interim reporting period**

There were no acquisitions and no foundings after the end of the interim reporting period.

## **7.3 Divestments and assets held for sale**

There were no divestments and assets held for sale in the current business year.

## **7.4 Significant events after the end of the interim reporting period**

On 26 April 2023 KPS AG published an ad-hoc announcement and adjusted its forecast for financial year 2020/2023, which was published on 26 January 2023 (see section Supplementary Report). On 5 May 2023 KPS AG published an ad-hoc announcement over the reduction of the dividend (see section Supplementary Report). No further significant events occurred after the end of the interim reporting period that would have a significant impact on the business performance of the KPS Group.

## **7.5 Related party disclosures**

For related party disclosures, please refer to the consolidated financial statements as at 30 September 2022. As at 31 March 2023, no significant changes have taken place.

## **7.6 Corporate Governance**

The Executive Board and the Supervisory Board of KPS AG have issued the Declaration of Compliance with the German Corporate Governance Code required pursuant to Section 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders on the company's website (<https://kps.com/global/en/company/investor-relations/corporate-governance.html>).

## **7.7 Deviations**

An English translation of the consolidated half-year report is also available. If any deviations are identified, the German version of the consolidated half-year report shall take precedence over the English translation.

The rounding of amounts and percentages can lead to minor deviations owing to commercial rounding.

## **7.8 Responsibility statement by the legal representatives**

The Executive Board of KPS AG hereby declares to the best of its knowledge, and in accordance with the principles to be applied for interim financial reporting, that the interim consolidated financial statements present a true and fair view of the asset, financial and earnings position of the Group corresponding to the actual circumstances, and that the Consolidated Interim Management Report presents a true and fair view of the performance of the business including the business results and the position of the Group is presented such that an appropriate view of the actual circumstances is conveyed, and that the significant opportunities and risks of the expected development of the Group in the remaining business year are described.

Unterföhring, May 2023

KPS AG

The Executive Board

## KPS AG Group

## DEVELOPMENT OF THE FIXED ASSETS (GROSS PRESENTATION)

in KEUR	ACQUISITION OR PRODUCTION COSTS					ACCUMULATED DEPRECIATION					BOOK VALUE				
	01.10.202 2	Additions	Additions from company merges	Disposals	Transfers	31.03.202 3	01.10.202 2	Additions	Additions from company merges	Disposals	Transfers	31.03.202 3	31.03.202 3	30.09.202 2	
<b>I.) INTANGIBLE ASSETS</b>															
1.	Concessions, industrial property rights and similar rights and assets, and licences in such rights and assets														
	a.) if acquired	13,949	1,761	4	0	0	15,714	12,591	541	3	0	0	13,135	2,579	1,359
	b.) if internally generated	14,947	0	0	0	0	14,947	5,904	525	0	0	0	6,429	8,518	9,043
2.	Advance payments made	0	0	0	0	0	0	0	0	0	0	0	0	0	
3.	Goodwill	77,562	6,114	0	0	0	83,676	15,016	0	0	0	0	15,016	68,660	62,546
	<b>Intangible assets</b>	<b>106,458</b>	<b>7,875</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>114,337</b>	<b>33,512</b>	<b>1,066</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>34,581</b>	<b>79,757</b>	<b>72,948</b>
<b>II.) PROPERTY, PLANT AND EQUIPMENT</b>															
1.	Business and office equipment	3,856	55	15	16	0	3,910	1,798	193	7	5	0	1,993	1,917	2,058
2.	Low-value assets	151	0	0	0	0	151	82	0	0	0	0	82	69	69
3.	Advance payments received	0	0	0	0	0	0	0	0	0	0	0	0	0	
	<b>Property, plant and equipment</b>	<b>4,007</b>	<b>55</b>	<b>15</b>	<b>16</b>	<b>0</b>	<b>4,061</b>	<b>1,880</b>	<b>193</b>	<b>7</b>	<b>5</b>	<b>0</b>	<b>2,075</b>	<b>1,986</b>	<b>2,126</b>
	<b>Total fixed assets</b>	<b>110,465</b>	<b>7,930</b>	<b>19</b>	<b>16</b>	<b>0</b>	<b>118,398</b>	<b>35,392</b>	<b>1,259</b>	<b>10</b>	<b>5</b>	<b>0</b>	<b>36,656</b>	<b>81,743</b>	<b>75,074</b>

# KPS

IMPRINT

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